

MINUTE ITEM

This Calendar Item No. 36.
was approved as Minute Item
No. 36 by the State Lands
Commission by a vote of 3
to 0 at its 4-24-80
meeting.

MINUTE ITEM

4/24/80
Thompson
W 40207

36. AUTHORIZATION OF THE 1980-81 PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, WILMINGTON OIL FIELD.

During consideration of Calendar Item 36 attached, Mr. W. M. Thompson, Chief, Long Beach Operations, gave a comprehensive report on the proposed 1980-81 Plan of Development and Operations and Budget.

At one point during the discussion, Chairman Kenneth Cory brought up the point that since the Long Beach Unit is a big consumer of power, that the Commission consider generating its own power and swapping it. Mr. Thompson stated the staff had previously investigated this, but had encountered some roadblocks.

Because of the ever-increasing budget of the Long Beach Unit and the many related expenditures which come before the Commission each month for approval, Commission-Alternate David Ackerman raised the question of whether or not the Staff had ever performed a complete audit on how the money is spent by THUMS. Mr. William F. Northrop, Executive Officer, stated the staff had completed some audits, but had never completed an internal one. Chairman Cory requested the staff to return to the Commission with a report on what kind of auditors are available and what the costs would be. Commission-Alternate Roy Bell concurred.

Mr. Thompson suggested that if an audit is done, specific criteria should be set forth to avoid the possibility of unnecessary duplication of past audits and to avoid areas which are not within the intended scope of this audit.

Mr. Northrop advised that Mr. James F. Trout, Assistant Executive Officer, would report back to the Commission at its next meeting on the options available.

Upon motion duly made and carried, the resolution as presented in Calendar Item 36 was approved by a vote of 3-0.

Attachment: Calendar Item 36.

A 57, 58
S 27, 31

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(Non-substantive revision,
4/29/81)

CALENDAR ITEM

36.

4/80
Thompson

AUTHORIZATION OF THE 1980-1981 PLAN OF DEVELOPMENT
AND OPERATIONS AND BUDGET, LONG BEACH UNIT,
WILMINGTON OIL FIELD, LOS ANGELES COUNTY

In compliance with Section 5, Chapter 138, Statutes of 1964, 1st E.S. and Article 4 of the Long Beach Unit Agreement, the City of Long Beach has submitted the Plan of Development and Operations and Budget, Long Beach Unit, July 1, 1980, through June 30, 1981, to the State Lands Commission for approval.

The proposed Plan provides for continued development of the Long Beach Unit and the orderly operation and maintenance of necessary facilities. In order to accomplish the proposed development and to manage, operate and maintain the various existing facilities, a Budget totalling \$116,821,000 has been prepared. The Budget provides \$21,665,000 for capital investment, \$90,980,000 for expense and \$4,176,000 for administrative overhead.

Investment funding includes \$19,475,000 to drill 40 new wells, \$915,000 for injection well conversions and \$1,275,000 for field and well facilities. Expense funding provides \$77,720,000 for operating, \$6,147,000 for administrative and \$813,000 for other expense. \$6,300,000 is provided for taxes, licenses and assessments levied by the City of Long Beach, the County of Los Angeles and the State.

This budget provides for operating 7 drilling rigs to drill new wells and redrill and workover existing wells. Most items were funded with what appeared to be adequate increases for inflation at the time the budget was being prepared early this year. Recent consumer price indices, however, indicate that some of these funds may prove to be low. In addition, the unit cost of purchased electricity already exceeds the figure used in preparing the budget. The factor used for wage increases also appears low based on federal guidelines and recent union contract settlements. There is therefore a strong possibility that additional funds may be required if the level of activity provided for in the Plan is to be maintained.

The Economic Projections, Exhibits C-3 and C-4, show estimated annual crude oil production of 23.5 million barrels.

A 52, 57, 58

S 27, 31

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Oil and gas income for the Unit, before consideration of any federal excise tax, is estimated to be \$635,268,000.

The oil income is based on an average composite price of \$26.49 per barrel, before consideration of any payment of applicable federal crude oil excise taxes. Recent actions by the federal government that released large volumes of Unit production from price controls have resulted in about 95% of the Unit oil production qualifying for uncontrolled prices. This action by the federal government has resulted in a significant composite crude oil price increase.

The Commission's staff has worked in cooperation with representatives of the City of Long Beach, during the preparation of the 1980-1981 Plan and Budget, in determining that each planned project is necessary and that the budget funding recommended presents a reasonable estimate of future costs. Exhibit "A", which is a part of this Calendar Item, graphically provides additional economic information.

The City Council of the City of Long Beach, at its meeting of March 4, 1980, adopted this proposed Plan of Development and Operations and Budget, and authorized its submittal to the State Lands Commission for consideration and approval. The Plan and Budget was submitted to the State by the City on March 18, 1980.

IT IS RECOMMENDED THAT THE COMMISSION:

1. DETERMINE THAT THE ACTIVITIES CONTEMPLATED BY THE "PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, JULY 1, 1980 THROUGH JUNE 30, 1981" ARE PLANNED TO BE CARRIED OUT PURSUANT TO AGREEMENTS APPROVED BY THE COMMISSION BEFORE APRIL 5, 1973, AND ARE THEREFORE ONGOING PROJECTS WITHIN THE MEANING OF 14 CAL. ADM. CODE 15070(B) (3), AND DO NOT REQUIRE THE PREPARATION OF EITHER AN EIR OR A NEGATIVE DECLARATION.
2. PURSUANT TO THE PROVISIONS OF SECTION 5, CHAPTER 138, STATUTES OF 1964, 1ST E.S., AND ARTICLE 4, OF THE LONG BEACH UNIT AGREEMENT, APPROVE THE "PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, JULY 1, 1980, THROUGH JUNE 30, 1981."

Attachment: Exhibit "A" - Economic Information Sheet

4/80
Thompson

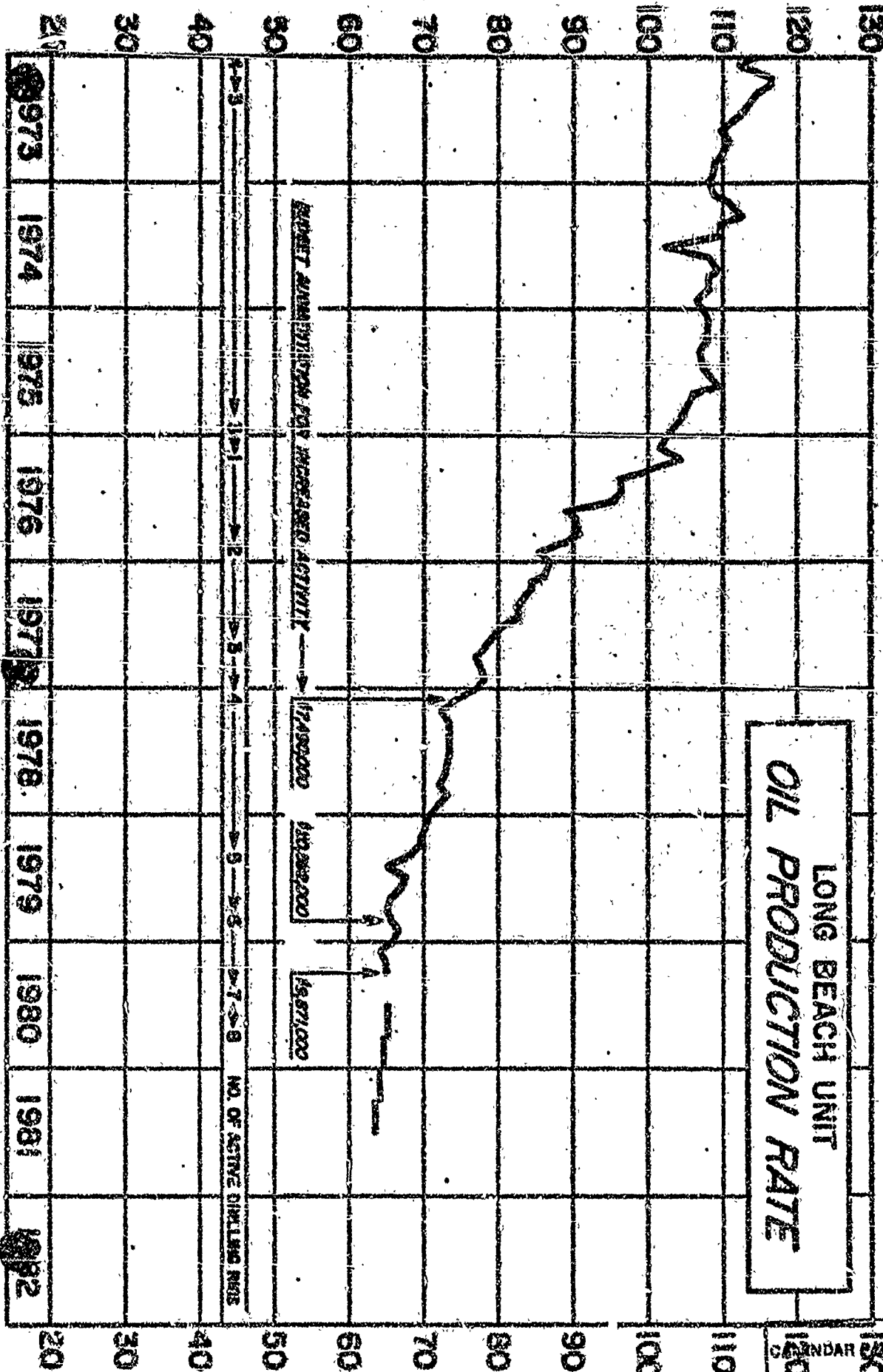
EXHIBIT A

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(Added, 4/21/80)

NET OIL PRODUCTION RATE-1000 B/D



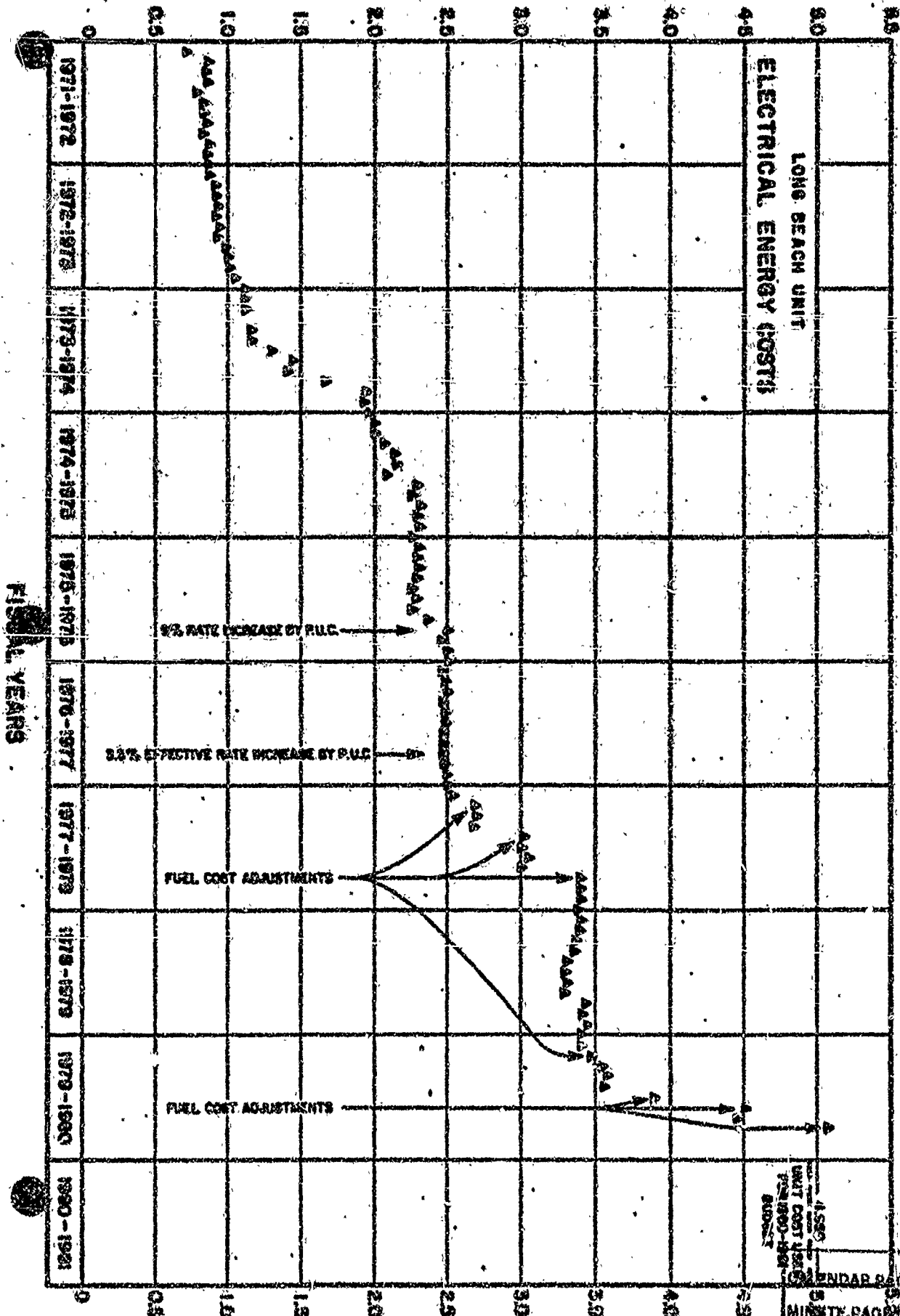
LONG BEACH UNIT
OIL PRODUCTION RATE

NET OIL PRODUCTION RATE-1000 B/D

POWER COST - Cents/Kwhr.

ELECTRICAL ENERGY COSTS

LONG BEACH UNIT



FISCAL YEARS

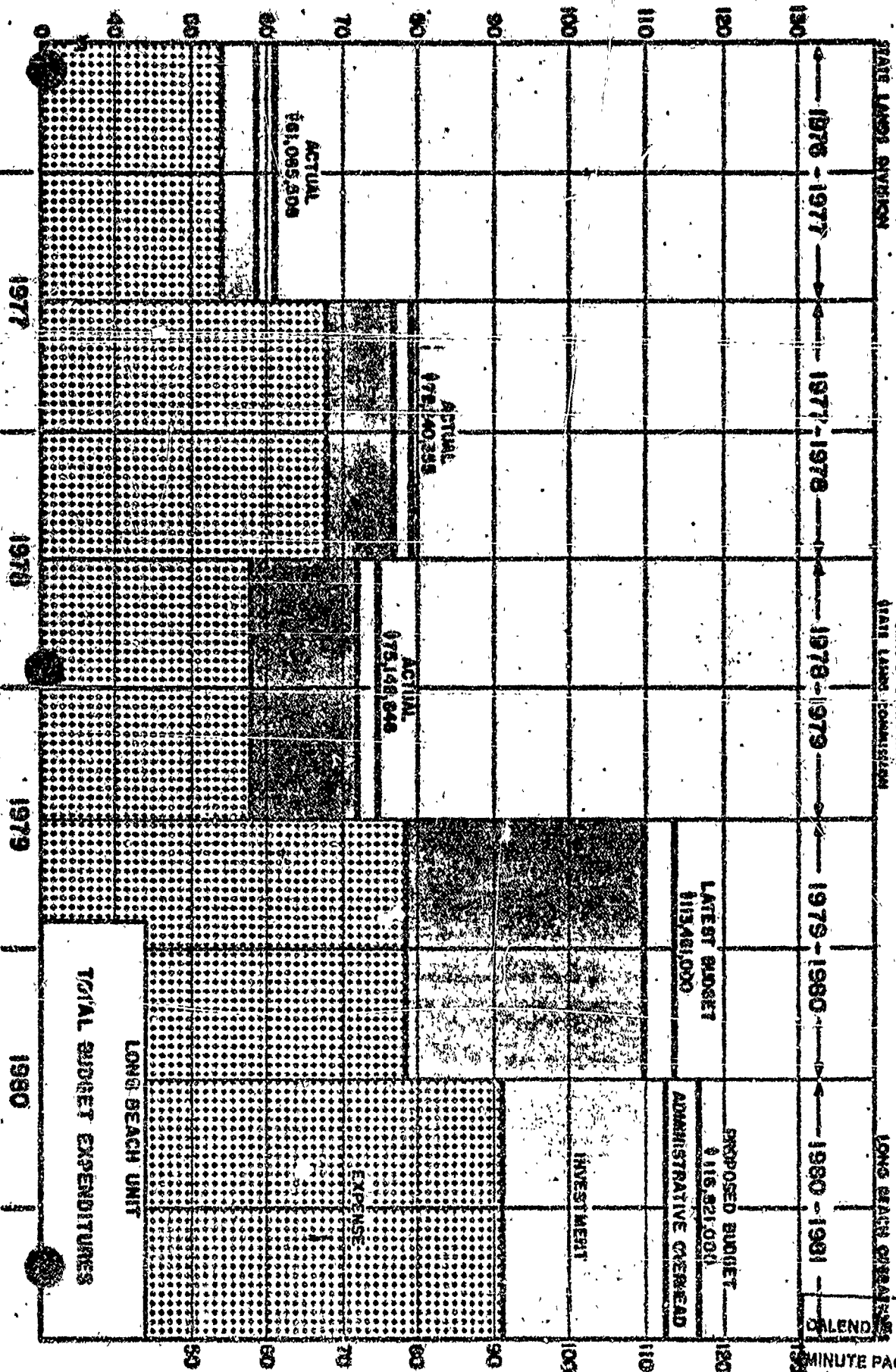
POWER COST - Cents/Kwhr.

UNIT COST YEAR
1980-1981
PROJECT

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(Added, 4/21/80)

MILLIONS OF DOLLARS PER YEAR



STATE LAND SERVICE

City of Long Beach
STATE LAND COMMISSION

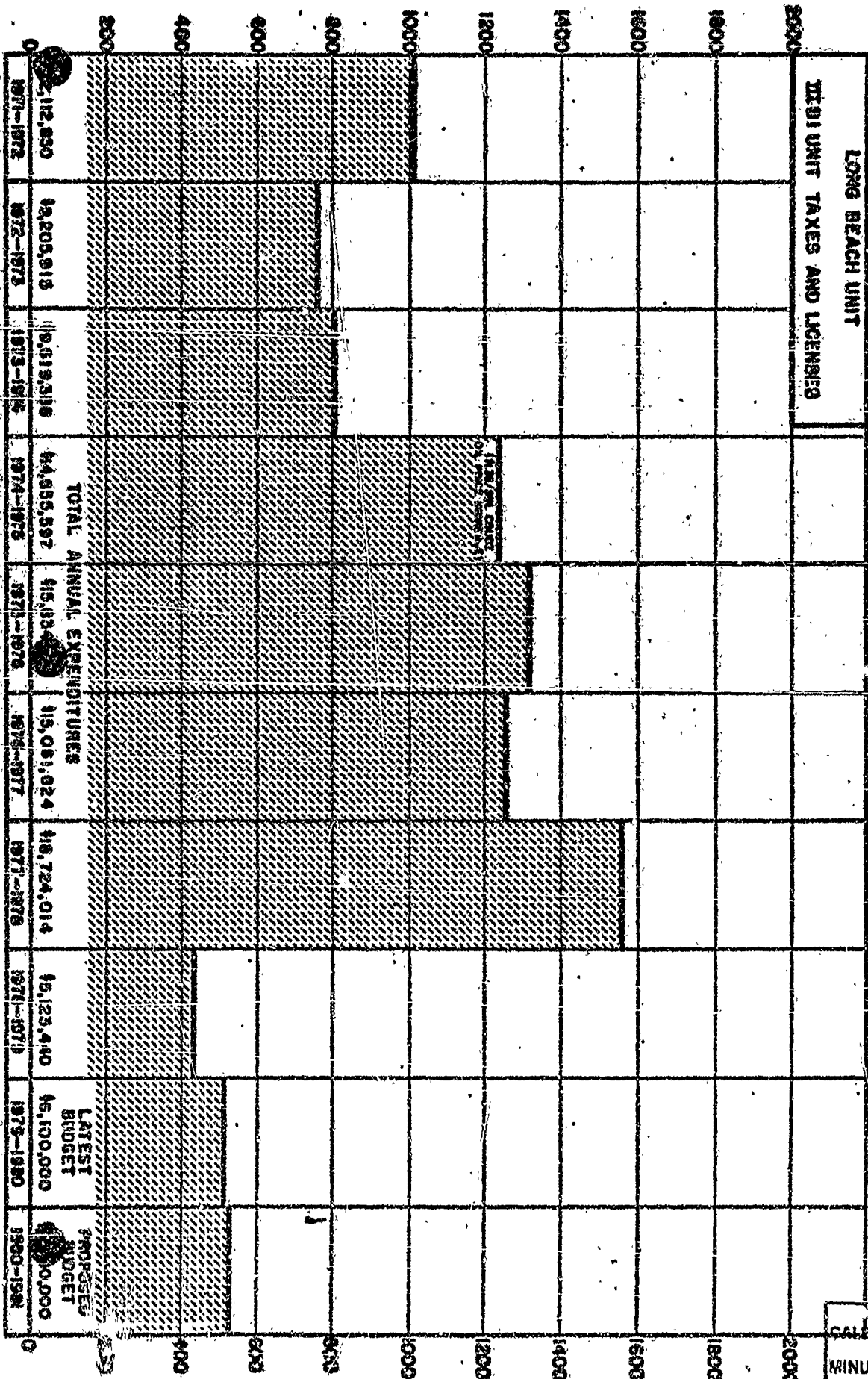
LONG BEACH OPERATIONS

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MILLIONS OF DOLLARS PER YEAR

(Added, 4/21/80)

THOUSANDS OF DOLLARS PER MONTH



STATE OF CALIFORNIA
STATE LABOR COMMISSION

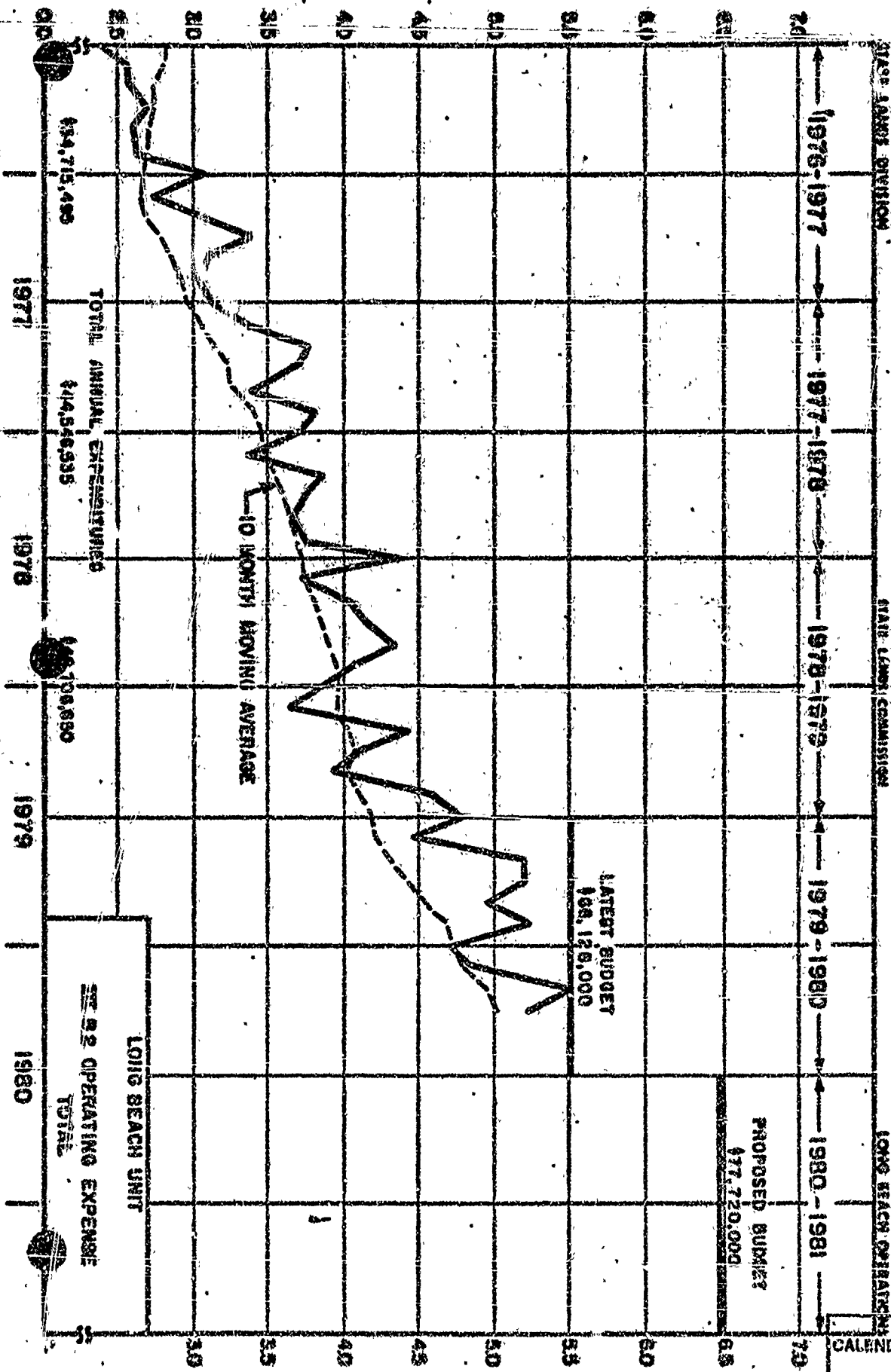
LONG BEACH CITIES

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THOUSANDS OF DOLLARS PER MONTH

(Added, 4/21/80)

MILLIONS OF DOLLARS PER MONTH



MILLIONS OF DOLLARS PER MONTH

(Added, 4/21/80)

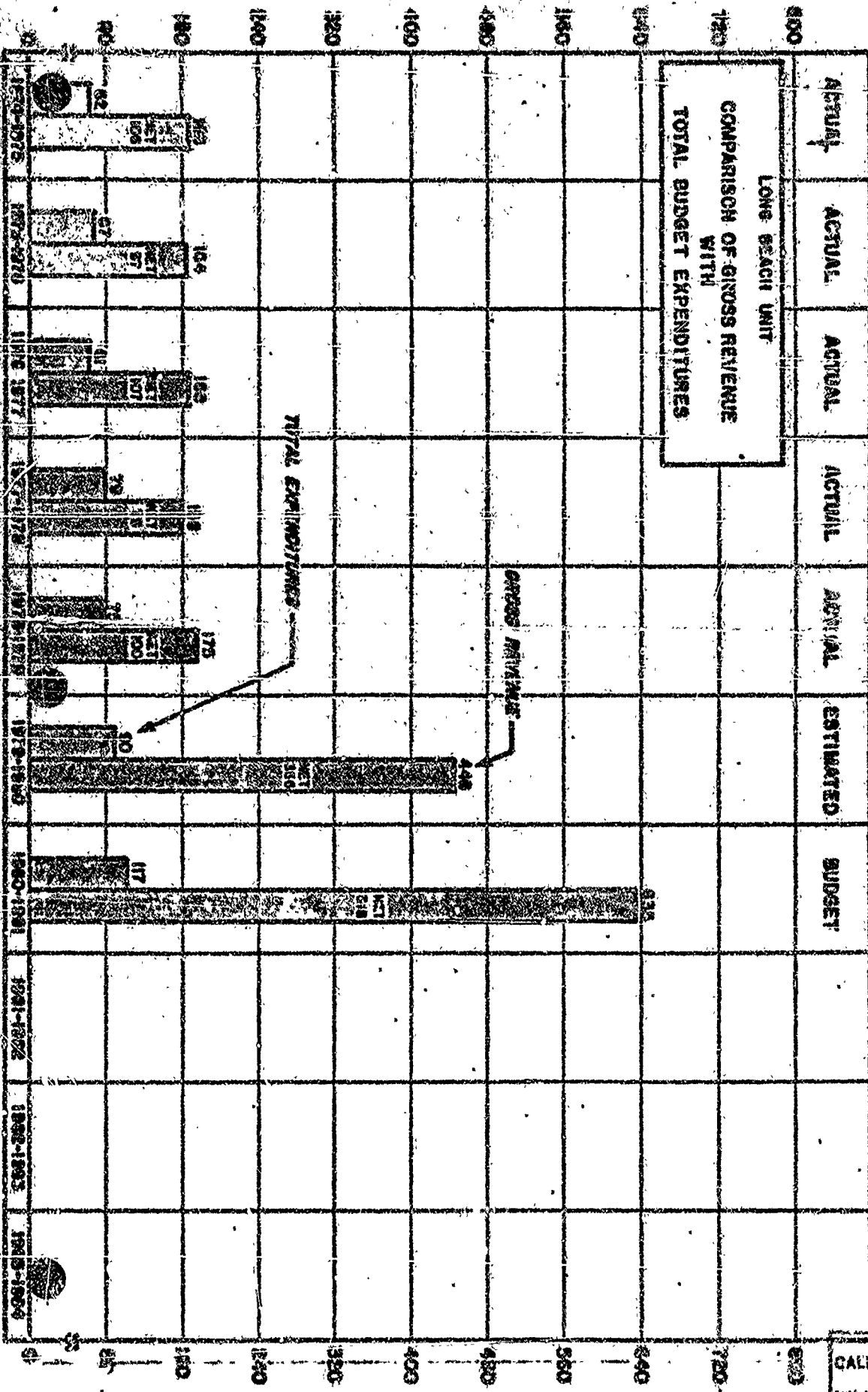
MILLIONS OF DOLLARS PER YEAR

STATE	1976-1977	1977-1978	1978-1979	1979-1980	1980-1981
STATE LABOR DIVISION					
STATE HIGHWAY COMMISSION					
LONG BEACH CREATORIAL					
PROPOSED BUDGET					415,465,000
ACTUAL EXPENDITURES	17,225,500	18,020,500	19,267,000	20,256,000	
ESTIMATED EXPENDITURES					
LONG BEACH UNIT					
CONTRACTORS SALARIES & PAYROLL					
INCLUDED IN IIR 2C & IIR 3C					

(Added 4/21/80)

MILLIONS OF DOLLARS PER YEAR

MILLIONS OF DOLLARS



ACTUAL ACTUAL ACTUAL ACTUAL ACTUAL ESTIMATED BUDGET

COMPARISON OF GROSS REVENUE WITH TOTAL BUDGET EXPENDITURES

LONG BEACH UNIT

MILLIONS OF DOLLARS